

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6936**

**BILL NUMBER: SB 445**

**DATE PREPARED:** Jan 13, 2002

**BILL AMENDED:**

**SUBJECT:** CHOICE and Medicaid Waivers.

**FISCAL ANALYST:** Kathy Norris

**PHONE NUMBER:** 234-1360

**FUNDS AFFECTED:** X

**GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State

X

STATE IMPACT	FY 2002	FY 2003	FY 2004
State Revenues			
State Expenditures	5,607,434	7,313,114	7,313,114
Net Increase (Decrease)	(5,607,434)	(7,313,114)	(7,313,114)

**Summary of Legislation:** This bill provides that funds appropriated for the Community and Home Options to Institutional Care for the Elderly and Disabled (CHOICE) program: (1) do not revert to the General Fund; and (2) may only be used for CHOICE services. The bill also requires the Office of Medicaid Policy and Planning to fully fund every Medicaid Home and Community-Based Waiver slot approved by the federal government.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** This bill would expand funding for the CHOICE program by eliminating the transfer of CHOICE appropriations designated to fund the Medicaid Aged and Disabled Waiver. It would also prevent the CHOICE appropriation from reverting to the General Fund and require that the CHOICE appropriation be used only for CHOICE program services. In FY 2002 this would require a minimum annual additional \$4.9 M in state General Funds for Medicaid to provide funds for the 2,500 currently filled Aged and Disabled Waiver slots since the CHOICE transfer was the intended source of state funds in the Medicaid budget. This bill will also have an additional impact on the General Fund of \$0.7 M and \$2.4 M in FY 2002 and FY 2003, respectively, since the Division of Disability, Aging, and Rehabilitative Services has expanded the funded waiver slots within an allowed additional annual \$3 M transfer from CHOICE as provided in PL. 291-2001, the state budget bill.

This bill further requires OMPP to fully fund all federally approved waiver slots effective upon passage of the bill. The table below shows the approved but unfunded slots for the Home and Community-Based Waivers. Fully funding all approved slots for FY 2003 is estimated to require an additional \$130.6 M in total, or \$49.6 M from the state General Fund for Medicaid match in FY 2003. The bill requires OMPP to fund the slots; this estimate assumes that all the slots would be filled. This analysis does not necessarily include individuals that are on a waiting list; it only recognizes the approved slots. Some savings from nursing home diversions or conversions may be available in the second year, but estimating whether the state would be paying for additional demand for services or actually achieving savings is not factored into this estimate.

<b>Fund All Authorized Slots FY 2003</b>	<b>Aged &amp; Disabled</b>	<b>Autism</b>	<b>Med. Fragile Children</b>	<b>MR DD</b>	<b>Brain Injury</b>	<b>Assisted Living*</b>
<b>Avg Annual Cost</b>	\$9,759	\$28,073	\$12,728	\$46,764	\$14,202	\$12435
<b>Approved unfunded slots</b>	8,888	100	0	622	100	850
<b>Total Additional Cost</b>	86,741,192	2,807,268	0	29,086,909	1,420,157	10,569,750
<b>State Medicaid Match</b>	<b>32,961,653</b>	<b>1,066,762</b>	<b>0</b>	<b>11,053,025</b>	<b>539,660</b>	<b>4,016,505</b>
<b>Federal Reimbursement</b>	53,779,539	1,740,506	0	18,033,884	880,497	6,553,245

The bill does not include any additional appropriations to provide for fully funding the Home and Community-Based Waiver slots. In lieu of additional appropriations, the bill would require the Office to do so within the current level of appropriations. If conversions or diversions of institutional placements would result in savings and a decrease in long-term care spending, this may be possible. If the Office does not realize savings from institutional diversion, but rather provides for new demand for services, then additional cuts in Medicaid State Plan services may be necessary in lieu of additional General Fund appropriations.

The bill does not prohibit the Secretary from requesting that the number of authorized waiver slots be reduced to the budgeted funded number of slots. If this action was the result of the bill, then this provision would have no fiscal impact although it would limit the flexibility of OMPP to take advantage of actual conversions from institutional based care to home and community based care.

**Explanation of State Revenues:** Medicaid is a federal- and state-funded entitlement program. For every dollar spent on qualifying services in Indiana, the federal program reimburses the state approximately 62%.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration, Office of Medicaid Policy and Planning, and Division of Disability, Aging, and Rehabilitative Services.

**Local Agencies Affected:**

**Information Sources:** Amy Brown, Legislative Liaison for FSSA, (317)- 232 1149; P.L.291-2001; Indiana Medicaid Budget Forecast Update for the 2002-2003 Biennium.